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FISCAL IMPACT STATEMENT

LS 6223

BILL NUMBER: HB 1021

NOTE PREPARED: Jan 22, 2015

BILL AMENDED:

SUBJECT: Limit on Mine Subsidence Insurance Coverage.

FIRST AUTHOR: Rep. Bacon

FIRST SPONSOR: Sen. Becker

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill raises the maximum amount of mine subsidence insurance coverage that may be reinsured (and thus the maximum amount of mine subsidence coverage that is available) from \$200,000 per structure to \$500,000 per structure.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Summary:* Increasing the maximum payable amount under the Mine Subsidence Insurance Program from \$200,000 to \$500,000 may not have a significant negative fiscal impact on the state. Increasing the program's maximum payable amount to this level may require the Department of Insurance (DOI) to increase program participant premiums to ensure solvency.

Additional Information: Mine subsidence insurance premiums are annually reviewed by the DOI and can be adjusted as needed to ensure solvency of the Mine Subsidence Insurance Fund.

Between FY 2011 through FY 2013, a total of 73 mine subsidence claims were submitted to the DOI, of which 44 were approved, totaling approximately \$2.6 M in payments from the Mine Subsidence Insurance Fund (an average of \$59,100 per approved claim). Payment information was obtained for 23 of the 44 paid claims during this time period and is summarized in the following table.

Claim Payment Range	Number of Claims
\$0 - \$40,000	5
\$40,001 - \$80,000	3
\$80,001 - \$120,000	6
\$120,001 - \$160,000	4
\$160,001 - \$200,000	5
Total	23

Only one of these claims hit the current \$200,000 limit, with an additional claim falling short of the limit by approximately \$4,500.

Between FY 2006 and FY 2013, the Mine Subsidence Insurance Program has received approximately \$12.9 M in premium payments and interest earnings, and paid out approximately \$5.4 M in claims and administrative expenses. As of December 31, 2013, the Mine Subsidence Insurance Fund contained approximately \$5.2 M in cash and assets.

Given (1) the number of claims that hit the current \$200,000 limit, (2) the current cash and assets in the fund, and (3) the ability of the DOI Commissioner to adjust insurance premiums as necessary to ensure fund solvency, increasing the claim limit to \$500,000 may not have a significant negative fiscal impact on the state, but could require the DOI to increase program participant premiums.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected:

Information Sources: Tyler Ann McGuffey, DOI.

Fiscal Analyst: Bill Brumbach, 232-9559.